



Memorandum 44/2004

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission
Five Middlesex Avenue, Third Floor, Somerville, MA 02145
Ph 617 666 4446 | Fax 617 628 4002 | TTY 617 591 8917 | www.mass.gov/perac
Domenic. J. F. Russo, *Chairman* | A. Joseph DeNucci, *Vice Chairman*
Kenneth J. Donnelly | Eric A. Kriss | James M. Machado | Donald R. Marquis
Joseph E. Connarton, *Executive Director*

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: New Option A & B Annuity Factors

DATE: November 30, 2004

The Fiscal Year 2005 State Budget provided that PERAC may establish new actuarial equivalent factors to be used in the calculation of retirement allowances. The statute authorized the PERAC Actuary to select a new mortality table and interest rate to be used in the calculation of such factors.

PERAC Memorandum #37/2004 outlined that the new actuarial equivalent basis is the RP-2000 Combined Healthy Table with 50% male and 50% female rates and an interest rate of 7.0%. Memorandum #37/2004 released the revised Option C factors effective December 27, 2004.

The Commission is releasing the enclosed Option A & B actuarial equivalent factors. **These new factors will become effective on December 27, 2004.**

The enclosed sheet shows two sets of factors for each option. The S factor is the present value factor for each option and age. The A factor is the factor used to convert the Annuity Savings Fund (ASF) balance to a monthly amount. **As with the current factors, the monthly annuity to be paid to a retiree is determined by multiplying the ASF balance by the A factor (under either retirement option).** This monthly value is then multiplied by 12 to get the annual annuity. Please note that the total allowance under Option A will not change with these new factors. The only change under Option A will be the annuity/pension allocation.

If you have any question, please contact Jim Lamenzo at (617) 666-4446 ext. 921 or John Boorack at (617) 666-4446 ext. 935.